

**PLYMOUTH COUNTY AREA
SOLID WASTE AGENCY
Independent Auditors' Report
June 30, 2007 and 2006**

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

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PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Schneider	Board Member and Executive Board	Plymouth County
Rick Bohle	Board Member and Executive Board	City of Kingsley
Dennis Slota	Board Member and Executive Board	City of Remsen
Charlie Eufers	Board Member and Executive Board	City of Le Mars
George Barkley	Board Member and Executive Board	City of Merrill
Keith Towns	Board Member	City of Hinton
Ray Lubben	Board Member	City of Brunsville
JoAnn Eden	Board Member	City of Westfield
Steve Swalve	Board Member	City of Oyens
Joe Vollmecke	Board Member	City of Struble
Bill Cole	Board Member	City of Le Mars
Lance Evans	Board Member	City of Remsen
Barry Cornish	Board Member	City of Craig
Stuart Harris	Board Member	Plymouth County
Bret Udell	Board Member	Plymouth County
Tony Paskert	Board Member	Plymouth County

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of PLYMOUTH COUNTY AREA SOLID WASTE AGENCY as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Plymouth County Area Solid Waste Agency as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles

In accordance with *Government Auditing Standards* we have also issued a report dated December 19, 2007 on our consideration of Plymouth County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants

Le Mars, Iowa
December 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Plymouth County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2007 and 2006. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 5% or \$36,407, from the fiscal year 2006 to fiscal year 2007.
- The Agency's operating expenses were 3% higher, or \$20,808, more in fiscal year 2007 than in fiscal year 2006.
- The Agency's net assets increased 7.6%, or \$101,850, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The Plymouth County Area Solid Waste Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Plymouth County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2007 totaled \$1,435,974. This compares to approximately \$1,334,124 for fiscal year 2006. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2007	2006
Current assets	\$ 862,447	\$ 834,317
Restricted investments	479,551	455,242
Capital assets at cost, less accumulated depreciation	845,146	791,759
Total assets	<u>2,187,144</u>	<u>2,081,318</u>
Current liabilities	76,170	72,194
Long-term liabilities	675,000	675,000
Total liabilities	<u>751,170</u>	<u>747,194</u>
Net assets:		
Invested in capital assets, net of related debt	845,146	791,759
Restricted for Closure/Post Closure Costs	479,551	455,242
Unrestricted	111,277	87,123
Total net assets	<u>\$ 1,435,974</u>	<u>\$ 1,334,124</u>

33% of the Agency's net assets are restricted for closure and post closure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (59%, e.g., land, buildings and equipment), portion of net asset are resources allocated to capital assets. The unrestricted net assets (8%) can be used to meet the Agency's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for hauling charges from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues consist of interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2007 and June 30, 2006 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2007	2006
OPERATING REVENUES		
Assessments	\$ 200,000	\$ 200,100
#1 Material	314,248	384,313
Gain on Sale of Equipment	13,437	17,300
Steel Sales	28,760	25,278
Construction & Demolition Materials	104,395	105,594
Other Operating Revenues	107,728	72,390
Total Operating Revenues	768,568	804,975
OPERATING EXPENSES		
Trucking Expense	8,126	10,029
Recycling Costs	323,089	322,896
Salaries and Wages	135,655	121,893
Payroll Taxes	6,132	5,479
Utilities	5,516	10,000
Insurance	58,826	60,796
Board Expense	3,564	4,227
Office Expense	6,443	2,688
Professional Fees	10,669	13,803
Custom Work	43	21,938
Repairs and Maintenance	40,828	38,275
Fuel and Oil	30,411	27,464
Dirt	-	74
Hazardous Waste Disposal C	14,471	10,599
Other Operating Expenses	26,872	3,907
Depreciation/Capital Outlay	54,703	50,471
Total Operating Expenses	725,347	704,539
Operating Income	43,221	100,436
NON-OPERATING REVENUE:		
Interest on Investments	58,629	42,882
Change in Net Assets	\$ 101,850	\$ 143,318

The statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2007, operating revenues decreased by \$36,407 or 4.52%, Operating expenses increased by \$20,808 or 2.95%. The changes in operating expenses are presented on the preceding page.

CAPITAL ASSETS

At June 30, 2007, the Agency had approximately \$845,146 invested in capital assets, net of accumulated depreciation of approximately \$650,000. Depreciation charges totaled \$54,703 for fiscal year 2007. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2007, the Agency had no outstanding long-term debt.

ECONOMIC FACTORS

Plymouth County Area Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Plymouth County Area Solid Waste Agency, 34898 150th St., Le Mars, Iowa.

FINANCIAL STATEMENTS

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Net Assets
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 194,663	\$ 237,513
Investments (Note 2)	554,552	479,579
Receivables:		
Accounts Receivable	788	10,757
Accrued Interest	8,908	8,457
Due from Other Governments	84,332	80,231
Prepaid Insurance	19,204	17,780
Total Current Assets	862,447	834,317
Long Term Assets		
Restricted Assets:		
Temporary Cash Investments (Note 3)	479,551	455,242
Land	30,000	30,000
Construction in Progress (Note 4)	-	6,797
Infrastructure, Property, and Equipment (Net of Accum. Depreciation) (Note 4)	815,146	754,962
Total Long Term Assets	1,324,697	1,247,001
Total Assets	2,187,144	2,081,318
LIABILITIES		
Current Liabilities		
Accounts Payable	32,731	43,546
Recycling Support	15,482	-
Accrued Wages and Compensated Absences	10,732	11,127
Other Accrued Liabilities	558	854
Unearned Revenue	16,667	16,667
Total Current Liabilities	76,170	72,194
Long Term Liabilities		
Estimated Liability for Landfill Closure and Post closure Care Costs (Note 3)	675,000	675,000
Total Liabilities	751,170	747,194
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	845,146	791,759
Restricted for Closure/Post Closure Costs	479,551	455,242
Unrestricted	111,277	87,123
Total Net Assets	\$ 1,435,974	\$ 1,334,124

See Accompanying Notes to Financial Statements

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Assessments	\$ 200,000	\$ 200,100
#1 Materials (Transfer Station)	314,248	384,313
Construction & Demolition Materials	104,395	105,594
Gain on Sale of Equipment	13,437	17,300
Steel Sales	28,760	25,278
Other Operating Revenues	107,728	72,390
Total Operating Revenues	<u>768,568</u>	<u>804,975</u>
OPERATING EXPENSES		
Trucking Expense	8,126	10,029
Recycling Costs	323,089	322,896
Salaries and Wages	135,655	121,893
Payroll Taxes	6,132	5,479
Utilities	5,516	10,000
Insurance	58,826	60,796
Board Expense	3,564	4,227
Office Expense	6,443	2,688
Professional Fees	10,669	13,803
Custom Work	43	21,938
Repairs and Maintenance	40,828	38,275
Fuel and Oil	30,411	27,464
Dirt	-	74
Hazardous Waste Disposal Costs	14,471	10,599
Other Operating Expenses	26,871	3,907
Depreciation	54,703	50,471
Total Operating Expenses	<u>725,347</u>	<u>704,539</u>
Operating Income	<u>43,221</u>	<u>100,436</u>
NON-OPERATING REVENUES		
Interest on Investments	<u>58,629</u>	<u>42,882</u>
Change in Net Assets	101,850	143,318
Net Assets Beginning of Year	<u>1,334,124</u>	<u>1,190,806</u>
Net Assets End of Year	<u>\$ 1,435,974</u>	<u>\$ 1,334,124</u>

See Accompanying Notes to Financial Statements

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities:		
Cash Received from Assessments	\$ 195,899	\$ 191,815
Cash Received from Monthly Hauling Charges	324,217	374,040
Cash Received from Construction and Demolition Materials	104,395	105,594
Cash Received from Other Operating Receipts	136,488	97,668
Cash Paid to Suppliers for Goods and Services	(525,615)	(545,859)
Cash Paid to Employees for Services	(142,477)	(123,457)
Net Cash Provided by Operating Activities	<u>92,907</u>	<u>99,801</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Sale of Capital Assets	18,300	38,000
Purchase of Capital Assets	(112,953)	(168,112)
Net Cash (Used) by Capital and Related Financing Activities	<u>(94,653)</u>	<u>(130,112)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(515,972)	(611,052)
Proceeds from the Sale of Investments	416,690	410,167
Interest Received	58,178	38,980
Net Cash (Used) by Investing Activities	<u>(41,104)</u>	<u>(161,904)</u>
Net (Decrease) in Cash and Cash Equivalents	(42,850)	(192,215)
Cash and Cash Equivalents Beginning of Year	<u>237,513</u>	<u>429,728</u>
Cash and Cash Equivalents End of Year	<u><u>194,663</u></u>	<u><u>237,513</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	43,221	100,436
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	54,703	50,471
Gain on Sale of Equipment	(13,437)	(17,300)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	9,969	(10,273)
(Increase) Decrease in Due from Other Governments	(4,101)	(8,285)
(Increase) Decrease in Prepaid Insurance	(1,424)	1,062
Increase (Decrease) in Accounts Payable	4,667	(20,225)
Increase (Decrease) in Accrued Wages and Compensated Absences	(395)	4,096
Increase (Decrease) in Other Accrued Liabilities	(296)	(181)
Total Adjustments	<u>49,686</u>	<u>(635)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 92,907</u></u>	<u><u>\$ 99,801</u></u>

See Accompanying Notes to Financial Statements

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 1 - Summary of Significant Accounting Policies

Plymouth County Area Solid Waste Agency was formed in 1973 pursuant to the provisions of Chapter 28F of the Code of Iowa. The purpose of the Plymouth County Area Solid Waste Agency is to operate the sanitary landfill in Plymouth County, Iowa, for use by all the municipalities therein.

The Plymouth County Area Solid Waste Agency is composed of one representative of each of the ten member cities and five representatives from Plymouth County. The member cities are: Brunsville, Craig, Hinton, Kingsley, Le Mars, Merrill, Oyens, Remsen, Struble and Westfield.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts for the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

The Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 and 2006 include unrestricted certificates of deposit of \$554,552 and \$479,579, and restricted certificates of deposit of \$479,551 and \$455,242, respectively.

Restricted Investments – Funds set aside for payment of closure and post closure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of \$1,000.

Depreciation is computed using the straight-line method over useful lives ranging from 5 to 40 years.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

Compensated Absences – The Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation, including applicable employee benefits, as been computed based on rates of pay in effect at June 30, 2007.

Note 2 - Cash and Investments

The Agency's deposits (demand deposits and certificates) at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments consist only of certificates of deposits which are stated at cost.

Note 3 - Closure and Post Closure Care Costs

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post closure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 3 - Closure and Post Closure Care Costs – (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in post closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Plymouth County Area Solid Waste Agency have been estimated at \$675,000 as of June 30, 2007 and 2006, and the entire liability has been recognized. This is based on what it would cost to perform all closure and post closure care during the years ended June 30, 2007 and 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. As of June 30, 2007, the estimated remaining life of the landfill is about 10 months. The landfill is in the process of developing additional trenches. The remaining life without vertical expansion after these trenches are formed is approximately 14.9 years; with vertical expansion it is approximately an additional 19.3 years, for a total of 34.2 years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2007 and 2006, assets of \$479,551 and \$455,242, respectively, are restricted for these purposes, of which \$114,561 and \$108,538, respectively, is for closure and \$364,990 and \$346,704, respectively, is for post closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post closure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 4 - Capital Assets

A summary of capital assets at June 30, 2007 is as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in Progress	6,797	-	6,797	-
	36,797	-	6,797	30,000
Capital Assets being depreciated:				
Buildings and Improvements	794,299	67,969	-	862,268
Equipment and Vehicles	565,200	51,780	24,315	592,665
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	1,369,499	119,749	24,315	1,464,934
Less accumulated depreciation for:				
Buildings and Improvements	315,852	21,557	-	337,409
Equipment and Vehicles	295,385	33,046	19,452	308,979
Infrastructure	3,300	100	-	3,400
Total accumulated depreciation	614,537	54,703	19,452	649,788
Total capital assets being depreciated, net	754,962	65,047	4,863	815,146
Total capital assets, net	\$ 791,759	\$ 65,047	\$ 11,660	\$ 845,146

Note 5 - Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Notes to Financial Statements
June 30, 2007 and 2006

Note 5 - Risk Management – (Continued)

members' basis rates or to comply with the requirements of any applicable regulatory authority over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Note 6 - Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$6,132, \$5,479, and \$5,298, respectively, equal to the required contributions for each year.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of the Plymouth County Area Solid Waste Agency as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 19, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Plymouth County Area Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Le Mars, Iowa
December 19, 2007

PLYMOUTH COUNTY AREA SOLID WASTE AGENCY
Schedule of Findings
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Finding Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Accounting - Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Agency:

- (1) Accounting System – record keeping for revenues and expenses, and
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.
- (4) Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion - Response accepted.

II-B-07 Financial Reporting - During the audit, we identified material amounts of receivables, payables, accruals and capital asset additions not recorded in the

Agency's financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

Recommendation The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion - Response accepted.

Part III: Other Findings Related to Statutory Reporting

- III-A-07 **Official Depositories** – A resolution naming official depositories has been adopted by the agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.
- III-B-07 **Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-07 **Travel Expense** – No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- III-D-07 **Board Minutes** – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- III-E-07 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- III-F-07 **Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 675,000
Divided by the lesser of ten years or the remaining life of the landfill.	÷ <u>10</u>
Required initial payment into the local dedicated fund	\$ <u>67,500</u>
Amount Agency has restricted and designated for closure and post closure care.	\$ <u>479,551</u>